

VZCZCXRO6846
PP RUEHROV
DE RUEHTV #0786/01 0911626
ZNR UUUUU ZZH
P 011626Z APR 09
FM AMEMBASSY TEL AVIV
TO RUEHC/SECSTATE WASHDC PRIORITY 1284
INFO RUEHKK/ARAB ISRAELI COLLECTIVE PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUCNDT/USMISSION USUN NEW YORK PRIORITY 8355

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SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [PGOV](#) [IS](#)
SUBJECT: NETANYAHU SET TO MANAGE BROAD BUT UNWIELDY
COALITION

1, (SBU) SUMMARY. Prime Minister Binyamin Netanyahu took office April 1 after assembling the largest government in Israeli history. Negotiations with other party leaders had quickly established a steep cost to secure their participation, but Netanyahu was intent on a broad government that would give him his best shot at serving a lengthy term. The 74 seat-coalition offers him a cushion against sudden defections, but Israel's bare knuckle politics offers him little sense of security. Netanyahu likely will face some friction within his coalition - Yisrael Beiteinu (YB) and SHAS are a good bet to squabble - and he will be required to further sort out roles and responsibilities of his ministers and fellow Likudniks, which also could lead to ruffled feathers. The nascent revolt within the Labor party means that some of those seats could slip away from Netanyahu. It is too early to gauge exactly how Netanyahu will lead his government, but we anticipate that titles will have little bearing on responsibilities. End Summary.

BROAD COALITION WITH A PRICE...

12. (SBU) Prime Minister Netanyahu takes office as head of the largest government in the history of Israel, and apparently one of the largest in the world. The government of 30 Ministers, at least 7 deputy ministers, and various newly-created posts is a product of political wheeling and dealing that began soon after the election in February. Netanyahu needed YB -- which had indicated its openness to forming a coalition with Kadima -- to ensure that he would become the next Prime Minister, and his offer to YB head Avigdor Lieberman was roundly viewed as generous. The deal with Lieberman established a high market rate for securing coalition partners, and Netanyahu paid handsomely to Labor and, to a lesser extent SHAS and United Torah Judaism (UTJ). With few ministries (Finance being the only major one) left over to dole out to Likud party stalwarts and rising stars, Netanyahu was forced to split ministries, add deputy positions, and enforce committee chair rotations to stifle grumbling within Likud.

...THAT MIGHT JUST BE WORTH IT

13. (SBU) The government, though it appears bloated, may provide Netanyahu with his best hope for long-term stability. The 74-seat coalition means that any one party, save for YB, could leave Netanyahu's coalition without depriving him of a governing majority. It also provides an additional buffer should the dissident faction within Labor (which opposed joining the coalition) split off from, or assume control of, the party. Israeli politics are extremely dynamic, however, and what appears to be a solid majority today, can quickly be a coalition crisis tomorrow.

WHERE ARE THE POINTS OF FRICTION?

14. (SBU) A coalition and government this large can promote longevity, but it is likely to also be a painful existence. Netanyahu has good relations with the party heads in his coalition (notably, his relationship with Defense Minister Barak is much better than the relationship between former Prime Minister Olmert and Barak in the last year of Olmert's term), but Lieberman's stridently secular positions could cause significant friction with the ultraorthodox SHAS and UTJ parties. Barak and Lieberman are neither enemies nor close friends, but Barak had earlier criticized Netanyahu's decision to offer Lieberman, who is under criminal investigation, control over the Justice Ministry and the police. Lieberman, for his part, was openly critical of Barak's execution of Operation Cast Lead, and reportedly sought to block Netanyahu's plans to bring Barak and Labor into the coalition. Beyond party disputes, Netanyahu may be called on to delineate (either explicitly or implicitly) a clear division of responsibilities and pecking order among his ministers (some of whose portfolios appear to overlap), which could spark resentment among those relegated to the second and third-tiers.

15. (SBU) The disunity in Labor also could pose a challenge to Netanyahu. Five Labor holdouts did not vote confidence in his government (note: by not voting they technically did not break with party discipline, which suggests this is not yet an all-out rebellion), and they seem intent on ousting Barak

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in the next party leadership primary. Netanyahu, though his large government means he is not beholden to Labor, will have to be careful to avoid making policy decisions or statements that further alienate the rebellious faction in that party if he seeks to keep their 13 seats. Lieberman's hardline public statement on assuming control of the Foreign Ministry the afternoon of April 1, in which he dismissed the Annapolis process and suggested that only strength, not more concessions, would bring peace, is likely to add to the misgivings within Labor about being in a coalition with Lieberman.

TITLES AND INFLUENCE -- NO CORRELATION

16. (SBU) Positions and titles do not provide the best insight to how the Netanyahu government will operate. The clearest example of this is Bibi's choice for the Finance portfolio, Yuval Steinitz. Bibi was long rumored to be holding this post for himself. With limited spoils to spread around, he offered it to a capable and loyal MK with no background in economics, and then named himself Minister of Economic Strategy. Netanyahu also named a coterie of Vice Premiers (party rival Silvan Shalom and political newcomer Moshe "Bugi" Yaalon) and Deputy Prime Ministers (Barak, Lieberman, and Dan Meridor), but refused to name an heir apparent who would take over should he become incapacitated or need to step down. In the end, Bibi prefers Bibi, and he will rely on his own counsel, along with those who have earned his trust over the years, regardless of their positions.

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